



Report of the Director of Place/Cabinet Member for Homes & Energy

External Funding Panel – 4 July 2018

Affordable Housing Grant and Innovative Housing Programme - To Support the Delivery of 20,000 New Affordable Homes in Wales

Purpose:	To provide details of the Welsh Government Affordable Housing Grant and Innovative Housing Programme -To support the delivery of 20,000 new affordable homes in Wales
Policy Framework:	More Homes Strategy Local Housing Strategy Policy Commitments – Tackling Poverty
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that: 1) Approval is given to enable the Council to take up the allocation of Affordable Housing Grant (AHG) for 18/19 and 19/20, subject to the conditions set out in paragraphs 2.2 and 2.3 of this report, and that the use of the grant and approval for the development programme is to be approved via the FPR7 process. 2) Approval is given to submit a funding bid for Innovative Housing Programme (IHP2) for the Colliers Way Phase 2 scheme.
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1. Introduction

- 1.1 The purpose of this paper is to provide the External Funding Panel with the background regarding two Welsh Government (WG) grant opportunities that will be used to support the Council's More Homes Programme.

2. Affordable Housing Grant (AHG)

- 2.1 AHG was launched in May 2018 for Local Authorities. AHG is an annual revenue grant available over 2 financial years to support up to 58% of the capital borrowing costs of the affordable housing development scheme over 28 or 29 years.
- 2.2 In order to take advantage of the AHG and utilise the full allocation the Housing Revenue Account (HRA) will need to borrow around £11M specifically to fund new build programme. The HRA is subject to a 'cap' that restricts borrowing. This cap applies to Councils with HRA stock in Wales. The current borrowing cap has already been reached to fund Welsh Housing Quality Standard (WHQS), the HRA would need an increase in the borrowing cap by this amount to take full advantage of the AHG grant.
- 2.3 In order to take up the allocation of AHG, a programme of schemes will be submitted to WG in the Council's Programme Development Plan (PDP). The schemes will fall under the More Homes Strategy and will increase the supply of affordable housing in Swansea. WG will evaluate and approve schemes and ensure they achieve value for money.

3. Innovative Housing Programme (IHP2)

- 3.1 WG have also recently announced the next round of IHP funding. IHP was introduced in 2017 by WG to support the delivery of innovative housing models in Wales, and help to inform WG about the types of homes it should be delivering in the future.
- 3.2 This funding will be available to support the extra over costs for additional innovation only. The funding does not support the wider scheme costs. The External Funding Panel has previously approved a bid for Phase 1 of this funding for the Colliers Way Passivhaus scheme and the Parc yr Helyg scheme. It is hoped that IHP2 funding can be used to support the additional innovation at Parc yr Helyg and possibly Colliers Way phase 2, if this can also be brought forward.
- 3.3 Timescales for applying for this funding are extremely short in terms of working up innovation for the schemes in order to meet WG deadlines, with completed applications due to be submitted by 12th July 2018.
- 3.4 Schemes must meet the following criteria to be considered for IHP2-
- Schemes tendered and due to start on site in 2018/19
 - Tendered before 5th March 2019 with start on site no later than 30 April 2019.
 - March 2019 containing a start on site date no later than 30th April 2019.
 - All schemes must participate in monitoring and evaluation
- 3.4 As the innovation being proposed falls under the City Deal Homes as Power Stations (HAPS) umbrella, a consortium style approach for the city

deal regions is being proposed. It is hoped that WG will recognise the importance of the HAPS City Deal project.

4. Equality and Engagement Implications

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 4.2 An Equality Impact Assessment (EIA) screening tool confirms that a full EIA is not required.

5. Financial Implications

5.1 Innovative Housing Programme Funding

No match funding is required. Innovations can be removed from the scheme if the bid is unsuccessful. Exact costs are unknown and details of the scheme are being worked up but could be in the region of £600k.

	2018/19 £	2019/20 £	Year 3 £	Year 4 £	Year 5 £	Total £	Ongoing £
Total project cost:							
Capital –							
Revenue							
Grant applied for:							
Capital	600.000						
Revenue							
Deficit							

5.2 Affordable Housing Grant (AHG)

AHG is an annual revenue grant available over 2 financial years to support up to 58% of the borrowing costs of the scheme over 28 or 29 years. Swansea's allocation is below.

Year	Annual revenue payment/28 or 29 years	Capital equivalent @ 58%	Total Cost
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18/19	£207,669	£3,984,853	£6,870,436
19/20	£138,446	£2,597,820	£4,479,000
	Total	£6,582,673	£11,349,346

5.3 A budget is available within the HRA to cover the initial design and preliminary stages of the scheme/s. Completion of the scheme/s as a whole is however dependant on the HRA being awarded additional borrowing capacity by the Welsh Government.

6. Legal Implications

6.1 The Housing (Wales) Act 2014 sets out the Welsh Government's vision for housing in Wales and provides the framework to assist local housing authorities in Wales to provide affordable new homes.

6.2 The Council will need to ensure that it complies with any terms and conditions attached to this Welsh Government grant funding.

6.3 The Affordable Housing Grant is being delivered under section 31 of the Local Government Act 2003. As the funding will be for housing purposes and relate to land held within the Housing Revenue Account, the Authority will be able to credit the HRA with the funding under item 4 of Part 1 of Schedule 4 to the Local Government and Housing Act 1989.

6.4 Separate legal advice will be required on title issues on a scheme by scheme basis. Furthermore, it is a pre-funding condition that the Authority will be required to provide the Welsh Government with a legal charge over the freehold or leasehold property that is subject to a scheme. Such a restriction will prevent the disposal of the property without the consent of the Welsh Government.

6.5 Separate legal advice will be required regarding procurement and state aid. Contracts over OJEU thresholds will need to comply with European Procurement Directives.

6.6 Section 106 agreements will be required between the Authority and developers stipulating conditions or obligations on development during the process.

6.7 Separate professional advice will also be needed in relation to valuations.

Background Papers: NGA1 Form, AHG guidance, IHP2 papers

Appendices:

Appendix A EFP1

Appendix B EIA Screening Form